

The crash in Vienna came earlier than that in the United States. The German government became disquieted by the fever of speculation in Prussia and the creation of new joint stock companies, and the paper of many of these companies was refused acceptance by the Bank of Prussia. The speculators transferred their operations to Vienna and in the first quarter of 1873 \$140,000,000, of so-called securities, but with little real security behind them, were issued at the Austrian capital. The Bank of Austria was permitted to loan largely on such securities, in order to keep the speculators from failure, but on May 2yth, the morrow of the opening of the International Exposition, seventy failures occurred, and on the next day no, involving establishments of the first importance. The Bourse was closed, the government suspended the limit upon the note issues of the bank, loans were made by the Treasury, and a syndicate of bankers was formed to make advances on sound securities.<sup>1</sup> A general panic was thus prevented, but credit was so far impaired that it was not until 1875 that business in Austria resumed its wonted activity.

The forced liquidations of the Franco-Prussian War caused severe pressure for a short time upon the reserves of the Bank of England ; but the early effect of the war, in driving international exchanges to London and Belgium, and sending capital there for safekeeping, was to flood the bank with, money and to carry the discount rate downward from six: per cent, on August 4th until it touched two and a half per cent, on September 29th. The terms of settlement of the French indemnity kept money in Great Britain for a time, and it was eagerly absorbed at low rates by traders and manufacturers.<sup>3</sup> The determination of Germany to establish the gold standard, and the heavy credits she had accumulated in London, began in 1873 to draw gold away from England, but the raising of the discount rate at the Bank of England, until it touched nine per cent, on September 25, 1873, attracted gold back from the Continent, Australia, and

<sup>1</sup>Juglar, 495.

<sup>2</sup>Gilbart, II., 350.